

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ELASTIFLOW, INC.,
Plaintiff,
v.
DUVALL SMITH, et al.,
Defendants.

Case No. 25-cv-01429-JSC

**ORDER RE PLAINTIFF'S MOTIONS
TO DISMISS DEFENDANTS'
COUNTERCLAIMS**

Re: Dkt. Nos. 28, 31

Elastiflow sues its former employees Alexander Germain and Duvall Smith for violating their employment agreements through their alleged use of Elastiflow's proprietary and confidential information. (Dkt. No. 15.)¹ Mr. Germain asserts a counterclaim for a declaratory judgment that he did not misappropriate Elastiflow's trade secrets; Mr. Smith asserts an identical counterclaim and an additional counterclaim for a declaratory judgment that he is the owner of certain source code ("the Code"). (Dkt. Nos. 22, 27.) Elastiflow now seeks to dismiss all counterclaims against it. (Dkt. Nos. 28, 31.) Having carefully reviewed the parties' briefing and with the benefit of oral argument on June 5, 2025, the Court DENIES in part and GRANTS in part Elastiflow's motions to dismiss.

DISCUSSION

1. The motion to dismiss the trade secret declaratory counterclaims is DENIED. Elastiflow does not cite, and the Court is not aware, of any case dismissing declaratory relief counterclaims in light of an action in another forum when the counterclaim plaintiff is not a party to that other action. The cases Elastiflow cites involve the same parties in both cases. *See, e.g.,*

¹ Record Citations are to material in the Electronic Case File ("ECF"); pinpoint citations are to the ECF-generated page numbers at the top of the document.

1 *Abby USA Software House, Inc. v. Nuance Commc'ns Inc.*, No. 08-cv-01035-JSW, 2009 WL
2 10691335 (N.D. Cal. Apr. 7, 2009); *Knapp v. Depuy Synthes Sales Inc.*, 983 F. Supp. 2d 1171
3 (E.D. Cal. 2013); *Qualcomm, Inc. v. GTE Wireless, Inc.*, 79 F. Supp. 2d 1177 (S.D. Cal. 1999).

4 2. The motion to dismiss Mr. Smith's copyright counterclaim is GRANTED in part
5 and DENIED in part. The counterclaim seeks both (1) judgment that he is the author and owner of
6 the Code and (2) judgment that Elastiflow and other third parties require a license to use the Code
7 and derivative works. (Dkt. No. 27 ¶¶ 133-34.)

8 Mr. Smith's copyright counterclaim for ownership is adequately pled. *AirWair Int'l Ltd. v.*
9 *Schultz*, 84 F. Supp. 3d 943, 949 (N.D. Cal. 2015) ("A motion to dismiss a counterclaim brought
10 pursuant to Federal Rule of Civil Procedure 12(b)(6) is evaluated under the same standard as a
11 motion to dismiss a plaintiff's complaint") (citing *Boon Rawd Trading Int'l v. Paleewong Trading*
12 *Co.*, 688 F. Supp. 2d 940, 947 (N.D. Cal. 2010)). He alleges he "wrote a significant amount of
13 code for the automated testing of [Plaintiff's] products." (Dkt. No. 27 ¶ 128.) And further, that
14 "[a]ll of the . . . Code is the foundation of Elastiflow's products and their success, and many
15 subsequent programs are derivative works of" the Code. (*Id.*) Mr. Smith alleges he wrote the
16 Code "using his computing equipment, from his premises, using his internet connection, and other
17 assets owned by [him]." (*Id.* ¶ 129.) And that he was an independent contractor with Elastiflow
18 in 2021 when he wrote some or all of the Code. (*Id.* ¶ 128.) Thus, he alleges the Code "was
19 Smith's original work of authorship. As such, the . . . Code vested to Smith as the owner." (*Id.* ¶
20 130.) So, he requests a declaratory judgment determining his authorship and ownership of the
21 Code and, drawing reasonable inferences in his favor, he plausibly pleads both.

22 Elastiflow argues the ownership claim is improperly pled because the Confidential
23 Information, Intellectual Property, and Invention Assignment Agreement ("PIIA") Mr. Smith
24 signed in 2023, includes the following provision:

25 I agree that [Plaintiff] and its assigns will be the exclusive owner of
26 Work Product[.] . . . to the extent [Plaintiff] has not obtained exclusive
27 ownership due to my Company employment, I agree to, and do
28 hereby, assign to the Company and waive any and all IP Rights in my
Work Product without further compensation or consideration.

(Dkt. No. 15-1 at 4.) Work Product means anything Mr. Smith made "a) using the Company's

1 equipment, supplies or trade secrets; b) resulting from work [he] perform[s] for the Company;
 2 and/or c) relate to the Company’s current or anticipated research and development.” (*Id.* at 4 n.4.)
 3 The language “do hereby assign” effects “a present assignment of [] future inventions[.]” *Bd. of*
 4 *Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 842 (Fed. Cir.
 5 2009), *aff’d*, 563 U.S. 776 (2011) (citing *Speedplay, Inc. v. Bebo, Inc.*, 211 F.3d 1245, 1253 (Fed.
 6 Cir. 2000); *FilmTec Corp. v. Allied-Signal, Inc.*, 939 F.2d 1568, 1572-73 (Fed. Cir. 1991)). But
 7 the PIIA does not definitively resolve the question of whether the Code meets the contractual
 8 definition of “work product” nor whether the contract also assigned code Mr. Smith wrote *before*
 9 signing the PIIA. At the pleading stage, the Court must draw all reasonable inferences in Mr.
 10 Smith’s favor and so cannot determine, as a matter of law, the Code was thereby vested to
 11 Elastiflow and its assigns.

12 The “licensing” portion of the counterclaim, however, is not plausibly pled. “An author
 13 gains ‘exclusive rights’ in her work immediately upon the work’s creation, including rights of
 14 reproduction, distribution, and display.” *Fourth Est. Pub. Benefit Corp. v. Wall-Street.com, LLC*,
 15 586 U.S. 296, 300-01 (2019). “Before pursuing an infringement claim in court, however, a
 16 copyright claimant generally must comply with § 411(a)’s requirement that ‘registration of the
 17 copyright claim has been made.’” *Id.* at 301. The requirement to register a copyright prior to
 18 pursuing infringement “is akin to an administrative exhaustion requirement,” prior to enforcement
 19 of ownership rights. *Id.*

20 Here, Mr. Smith does not plead he has satisfied the registration requirement in requesting
 21 judgment that Plaintiff and others must obtain a license to use the Code. As such, Mr. Smith’s
 22 counterclaim, insofar as it appears to be a claim for enforcement of his copyright rights, is not
 23 properly pled.

24 In his opposition brief, Mr. Smith for the first time argues the declaratory judgment request
 25 in paragraph 134 of his Answer is “merely asking the Court to make a determination under the
 26 implied licensing doctrine as espoused in *Asset Marketing Systems, Inc. v. Gagnon*, 542 F.3d 748
 27 (9th Cir. 2008).” (Dkt. No. 33 at 10.) Thus, he claims, the Answer seeks adjudication of “whether
 28 an implied license has been granted to Elastiflow and their sublicensees under *Asset Marketing*.”

(*Id.*) But the Answer does not plead implied license in a way that gives notice to Elastiflow of the implied license issue he now argues is the basis for his counterclaim. *Cf. Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (“Federal Rule of Civil Procedure 8(a)(2) requires only ‘a short and plain statement of the claim showing that the pleader is entitled to relief,’ in order to ‘give the defendant fair notice of what the ... claim is and the grounds upon which it rests.’”) (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). And further, Mr. Smith does not show how his allegations can be understood as such.

Because Mr. Smith does not properly plead he registered the Code, the licensing claim is not adequately pled.

* * *

Mr. Smith plausibly pleads a declaratory judgment counterclaim for copyright ownership but not for licensing. Accordingly, the Court dismisses the second counterclaim insofar as it seeks judgment that Elastiflow or third parties require a license to use the Code.

CONCLUSION

The Court rules as follows:

- The motion to dismiss Mr. Germain’s counterclaim and Mr. Smith’s first counterclaim is DENIED.
- Plaintiff’s motion as to Mr. Smith’s second counterclaim is DENIED except insofar as it seeks judgment that Plaintiff or third parties require a license to use the Code.

Any amended Answer(s) is to be filed no later than July 1, 2025 unless the parties stipulate to a different deadline.

This Order disposes of Docket Nos. 28 and 31.

IT IS SO ORDERED.

Dated: June 5, 2025


JACQUELINE SCOTT CORLEY
United States District Judge